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BANK NOTE ISSUING INSTITUTE OF ASSOCIATED STATES  
OF LAOS, CAMBODIA, AND VIETNAM

[Summary: The Saigon daily, *Le Journal d'Extreme-Orient*, in its 20 and 21 November 1952 issues, describes the organization, function, and objectives of the Bank Note Issuing Institute of the Associated States (Institut d'Emission des Etats Associes), an interstate agency in operation since 1 January 1952.

According to the Haiphong Chamber of Commerce bulletin, Raymond Janot, the former French representative to the Administrative Council of this institute, has been replaced by Andre Vallis.]

ADMINISTRATION OF BANK NOTE ISSUING INSTITUTE -- Saigon, *Le Journal d'Extreme-Orient*, 20, 21 Nov 52

The Associated States of Laos, Cambodia, and Vietnam desire to facilitate a free exchange of goods and capital between their three countries to maintain a wider market for their products. Since a common currency is a prime prerequisite for the fulfillment of this goal, they have organized the Bank Note Issuing Institute to supply it.

The Interstate Agreement concluded at Pau in December 1950 created the Bank Note Issuing Institute, and its regulations were further amended at a conference held in Paris in December 1951. The Paris Agreement named 1 January 1952 as the date for transferring the issuing privilege from the Bank of Indochina to the institute. The institute's regulations were initialed by the representatives of the French government and the Associated States in April and May 1952.

The institute possesses three major functions: to print piasters; to provide backing in francs or other exchange for the piasters; and to advance loans to the national treasuries of the Associated States.

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The institute is not yet equipped with the personnel or the facilities necessary for printing piasters. Therefore, it has rented facilities from the Bank of Indochina. Notes presently in circulation are mainly those printed earlier by the Bank of Indochina, but the one-piaster notes, issued by the institute, have been in circulation since January 1952. Moreover, the old notes will be replaced by new ones as rapidly as it is economically feasible.

As the piaster is a currency within the franc zone, the institute furnishes francs for the conversion of piasters and vice versa. An excess in the purchase of francs over piasters has resulted from the provision of the Paris Agreement, obliging the institute progressively to back the piaster in francs, gold, or foreign currency to an amount equal to 50 percent of the fiduciary circulation. Since the beginning of 1952, the institute has established franc credits which are deposited with the French Treasury and which draw interest.

Although it is the institute proper which records the franc-piaster transactions and guarantees their coverage, the Indochina Exchange Office has been making policy decisions in this field until now. This power, however, will be transferred to the institute upon conclusion of the commercial negotiations presently taking place among Cambodia, Laos, Vietnam, and France.

Since its organization, the institute has loaned some hundreds of millions to the state treasuries. These loans are advanced in the form of renewable National Treasury Bonds with a maximum 3-month maturity date. The institute can dispose of said bonds according to its regulations. Bonds corresponding to loans granted to the states have been entirely disposed of since the beginning of the year, thus suppressing the primary cause of inflation.

The loans are granted only after a careful study of the state's finances and a mortgage is taken on public property as a purchase consideration in the sale of the bonds. Thus the institute's liquid assets are made available for the state's use.

In addition, the institute is studying under what conditions it would be possible to grant loans to private import-export firms, which are so vital to the country's welfare. This development, however, would entail a reform in banking customs.

The Bank Note Issuing Institute is a supranational agency. The Pau Agreement provided that it should be organized in the following manner: three representatives of each participating state sit on the Administrative Council, headed by a chairman elected jointly by the four states for a 4-year term. In addition, each state may name two alternate representatives. For the most part, supreme authority is vested in the Administrative Council as a body, although the chairman possesses initiatory powers and jurisdiction over personnel. In certain cases the decisions of the council are taken unanimously, particularly in the matters of issuing notes and fixing interest rates. Each state also designates an auditor responsible for supervising the regularity of activities.

The Pau Agreement modifies these regulations to some extent. The right to rule on loans is now delegated to the Limited Committee, composed of the chairman, representative from the requesting state and one from a nonrequestor. The deliberations of this committee are conducted in secret, and it has functioned without difficulty since the beginning of the year.

In conclusion, it must be stated that the first months of operation indicate a bright future for the institute. Inflation has been checked to some extent. The operations of the Limited Committee are revealed as satisfactory. The services of the institute are improving, and its functions are being defined.

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The future of the Bank Note Issuing Institute can only be assured by the quality of the services that it is called upon to perform and by the verification of economic advantages received by the three Associated States from the French Union.

ANNOUNCES NEW FRENCH REPRESENTATIVE -- Haiphong, Bulletin Hebdomadaire de la Chambre de Commerce de Haiphong, 15 Nov 52

On 3 November 1952, Andre Vallis was named French representative to the Administrative Council of the Bank Note Issuing Institute of the Associated States to replace Raymond Janot.

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